

changes according to the extent of its supply for the performance of the commercial services it is required to render and for utilisation in the arts and industries. The comparative values of two commodities are altered when the ratio of the quantities customarily exchanged for each other in a free market becomes changed. If, on the average, a ton of iron bars has been exchanged for £8*J*, and subsequently this term of the ratio advances to £9*J*, the inference, in this limited case, is uncertain whether gold has fallen in value in consequence of its greater abundance and more easy production (from new mines and cheaper processes) or whether iron has increased in value from becoming more scarce and difficult to extract, or whether the conditions of demand and supply have altered on each side. But when we examine a larger and larger number of articles and discover that in every case the same quantity of gold which formerly was sufficient to buy a denoted amount of the several articles now purchases a diminished quantity of each, we may reasonably (and indeed necessarily, as the area of confirmatory evidence widens) follow the guidance of the doctrine of probability and affirm that it is gold itself which has sustained a diminution in value. For on this supposition, *one* cause alone, affecting gold, will explain the changed ratio, while if we attribute the alteration of prices to the collection of commodities compared with gold we must postulate as many separate and concurrent causes as there are articles involved—assuming that the articles are so selected that one is not directly or closely dependent upon another. The more extensive, then, be the number of independent and varied commodities examined, where all of them have risen in terms of gold, the clearer is the probability that gold is the subject of the change. If no variation in the supply and demand of two articles has occurred (or if the alteration in the supply and demand of each has been precisely proportionate) so that one cwt. of one commodity remains on a uniform parity of exchange with a similar amount of another commodity, the altered value of gold does not affect their ratio of

exchange. For if each requires for its purchase at one time the sum of £5 and the exchange-ratio of £5 afterwards rises by 20 per cent to £6, this increase in gold-value equally affects both commodities, and the exchange of cwt.